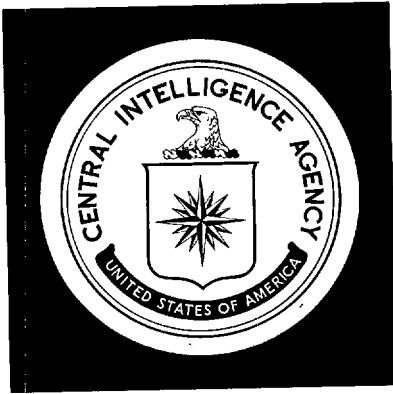


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DIRECTORATE OF  
INTELLIGENCE

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USSR-US: Treatment of the summit by the Soviet media suggests that the Soviet leaders are satisfied with its results and believe the outcome vindicated the decision to proceed with the meeting in spite of US actions in Southeast Asia.

Lead editorials in the major newspapers, accompanied by numerous photographs and texts of summit documents, continue to hail the summit as a success for Moscow. The media express approval of the concrete accomplishments of the talks, especially US recognition of the Soviet Union as an equal, and affirm that further improvement in bilateral relations is possible and to the benefit of the USSR.

Pravda's lead editorial on 31 May lauded the summit as an important new step in the "peace program being steadily and consistently carried into life by our party, its central committee, and the political bureau." It mentioned only Brezhnev by name. The general secretary enjoyed a similar distinction in an Izvestia editorial on 30 May. Pravda on 28 May published the entire texts of the ABM treaty and the interim agreement limiting offensive strategic weapons. Although not all of the summit-related documents have been published, never before have such specifics on Soviet and US strategic weapons and their deployment been revealed to the Soviet public. By the same token, the significance of front-page photos of the President and the Soviet leaders, Brezhnev in particular, talking, signing, and celebrating together cannot have been lost on party rank and file or the populace.

There is little doubt that the Soviet leaders are assessing the substance of their exchanges with President Nixon and are considering what next steps to take in pursuit of a new relationship with the US.

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**IRAQ:** The government has announced nationalization effective 1 June of the Iraq Petroleum Company (IPC), a consortium of US, British, Dutch, and French interests.

The action culminates long-standing disputes. Earlier this month the Revolutionary Command Council had threatened IPC with confiscatory legislation if it did not increase production from the northern oilfields, agree on a long-term production program, and make a "positive offer" on several other outstanding issues. The government rejected moves by the company toward meeting Iraqi demands. The action apparently was taken in coordination with the Syrian Government which, today, announced nationalization of the IPC pipeline which transits Syria.

IPC produces almost all of Iraq's oil, which last year amounted to 1.7 million barrels per day, about 3.5 percent of the world total. The nationalization decree, however, may affect only the northern oilfields, which account for about two thirds of Iraq's production. Most of IPC's oil is exported to Western Europe, but disruption of this supply would not seriously affect Western Europe at this time because alternative supplies exist.

The IPC companies are unlikely to lift any Iraqi oil unless adequate compensation is forthcoming. All of the companies involved in IPC have substantial production elsewhere and, with the exception of the French firm, CFP, should have only short-term dislocation problems in making up the nationalized production. There is a surplus of tankers available, and the companies should be able to increase production in the Persian Gulf countries, Libya, and Venezuela. Iraq has indicated it will extend preferential treatment to CFP.

Iraqi oil revenues, which were about \$950 million in 1971, represent about 60 percent of government income. It would be difficult for Iraq to produce and to market its oil at the 1971 level without IPC's cooperation.

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BANGLADESH: Foodgrain shortages persist despite the arrival of large quantities last month. High prices have given rise to civil unrest and allegations of corruption among food distribution officials.

The most serious problem continues to be transport bottlenecks. About half of the one-quarter million tons delivered in May is still on ships waiting to be unloaded. Foodgrains are arriving from abroad faster than they can be moved to regional warehouses and silos. Food shortages are most severe in the northwest districts that have been isolated since December when the only bridge connecting them to the rest of the country was destroyed by the retreating Pakistani Army. Repair of it and other damaged bridges and rehabilitation of the water transport network are continuing, but the recent onset of the monsoon has slowed progress.

The US supertanker Manhattan has been chartered to go to Bangladesh to serve as an offshore warehouse near Chittagong, thus allowing foodgrain imports to bypass the clogged port. The Soviets, who are helping to clear the ports, have sent four helicopters to move food upcountry. Even so, Prime Minister Mujib and the UN chief in Dacca have called for more chartered planes and ships.

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CONGO: President Ngouabi's ability to balance the mutually antagonistic factions that compete for power and influence is being tested.

Although most of his radical opponents were neutralized in the aftermath of the abortive coup by leftist extremists last February, Ngouabi has been unable to turn the purge to any lasting political advantage. In addition, his unwillingness to apply harsher measures to the leftists has angered powerful right-wing forces, particularly army chief Yhomby-Opango who was responsible for thwarting the coup. Yhomby and others have urged the president to execute all captured plotters and to cleanse both the army and the government of all of their sympathizers.

Meanwhile, the failure of the security forces to capture Ange Diawara, the leader of the attempted coup, has kept the government tense. Diawara has apparently moved with impunity throughout Brazzaville and environs. [REDACTED]

[REDACTED] he and his followers periodically telephone threats directly to Ngouabi, paint menacing slogans on walls, circulate antigovernment leaflets, and provoke confrontations with the security services. Diawara's activities have increasingly rattled Ngouabi and forced him to rely more on his hard-line military associates, whose basic inclinations are to use brutal reprisals to put an end to the threat from Diawara.

The limited reprisals that Ngouabi has allowed thus far have been ineffective, and have only worsened the regional and tribal animosities that have plagued Congo since independence. Southerners, who have long resented domination by Ngouabi and his fellow northern tribesmen, and who have seen many of their leading sons succumb to the purge of recent months, have become increasingly willing to

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cooperate with Diawara. Most of them do not share Diawara's extremist positions but see him as the only prominent Congolese actively working against the regime.

Ngouabi [REDACTED] claims to have completed the planned integration of the police into the army. He reportedly will name two police directors who will be responsible to Major Yhomby, whose authority is thus further strengthened. [REDACTED]

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USSR: Introduction of the economic reform in the construction sector has made some improvements, but problems remain.

The economic reform movement in Soviet industry began in the mid-1960s and is to be adopted throughout the economy by the end of 1975. The principal guidelines of the reform are designed to improve planning and performance, partially by increased decentralization and greater managerial autonomy at the plant level. A recent survey of the modest progress made in implementing the reform in construction during the past two years suggests that the substantial obstacles to reform experienced in industry are manifest in the construction sector as well.

As was the case in industry, the largest and most profitable construction enterprises were the first to be transferred. The approximately 550 organizations now operating under the new system account for about one quarter of all work and profits produced in the construction sector. The balance of the output is produced by the more than 17,000 remaining enterprises. Despite an acceleration of transfers this year, the experience with the reform in industry suggests that the 1975 deadline will not be met in construction.

The performance of the reformed organizations is touted as above average. In 1971 the reformed plants increased their profits by nine percent, whereas the entire sector experienced a decline in profits of six percent. The transferred enterprises also did somewhat better than the sector as a whole in improving labor productivity. Wages for workers in the converted enterprises, however, grew only marginally faster than did rewards for their colleagues whose work was average or substandard.

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The traditional Soviet problems of low quality and poor coordination among enterprises, however, still affect performance in the reformed organizations. Moreover, as the less efficient enterprises are brought under the reform improvements may not be as forthcoming.



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USSR-UN: A Soviet Foreign Ministry official indicated on 31 May that the USSR would not attend the UN Conference on the Human Environment opening in Stockholm Monday. His statement comes on the heels of decisions by the Poles, Czechoslovaks, and Hungarians not to attend because Pankow has been denied full participatory status equivalent to that of Bonn. The Western powers earlier this week had informed the Soviets through third parties that the East Germans would be welcome as observers without voting privileges, but Moscow is clearly unwilling to accept such an arrangement.

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CYPRUS: The UN representative in Cyprus, Bibiano Osorio-Tafall, cautioned recently that, because of Turkish stalling, the chances are slim that the expanded intercommunal talks will begin before the UN Security Council session on Cyprus on 15 June. Although Osorio-Tafall continues to work for an early opening of the talks, he believes the Turks oppose starting the negotiations around the time of UN Secretary-General Waldheim's visit to Cyprus, scheduled to begin on 6 June, because Ankara does not want to place undue emphasis on the UN's role in the talks. The Turks have never regarded the UN as the best forum for reviewing the Cyprus problem, but their stated reason for delaying the talks is that their representative has academic duties that preclude an early arrival on the island. When Osorio-Tafall told President Makarios of the possible delay, the latter wondered aloud whether Greek or Turkish participants were necessary after all. Makarios agreed with considerable reluctance to an expansion of the intercommunal talks to include Greek and Turkish constitutional experts in addition to a UN observer.

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